

Message Text

LIMITED OFFICIAL USE

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /126 W
-----088425 230720Z /10

R 221833Z MAR 78
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC 6006
INFO AMEMBASSY BRASILIA
AMCONSUL SAO PAULO
AMCONSUL RECIFE

LIMITED OFFICIAL USE RIO DE JANEIRO 1348

E.O. 11652: N/A
TAGS: EMIN, BR
SUBJECT: CONFLICT OVER EXTENT OF NORTHEASTERN BRAZIL'S IRON ORE
RESERVES

REF. (A) RIO DE JANEIRO 1001, (B) BRASILIA 2276

1. ON MARCH 14, COMPANHIA VALE DO RIO DOCE (CVRD)
PRESIDENT ROQUETTE REIS PUBLICLY DISCOUNTED IMPORTANCE
OF CURRAIS NOVOS/CAICO (RIO GRANDE DO NORTE-RGN) IRON
ORE DEPOSITS, WHOSE DISCOVERY WAS RECENTLY ANNOUNCED
BY MINISTER OF MINES AND ENERGY UEKI (REF. A).
ROQUETTE REIS IS REPORTED TO HAVE TERMED DISCOVERY
A "(NEWSPAPER) HOAX" (BARRIGA"), WITH LITTLE OR NO
COMMERCIAL POTENTIAL. UEKI REACTED STRONGLY ON 3/16,
REITERATING THAT THE RGN IRON ORE DISCOVERY WAS
IMPORTANT, BUT STRESSING THAT ADDITIONAL WORK WOULD
BE REQUIRED TO DETERMINE THE EXTENT OF THE AREA'S
RECOVERABLE IRON ORE RESERVES. ALSO ON 3/16,
ROQUETTE REIS SOFTENED HIS EARLIER CHARGE, NOTING
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THAT CVRD'S PROSPECTING ARM, RIO DOCE GEOLOGIA (DOCEGEO),
IS, IN FACT, STILL CARRYING OUT A GEOLOGICAL SURVEY
OF THE REGION.

2. COMMENT: BEGIN LIMITED OFFICIAL USE. IRRESPECTIVE
OF THE ACTUAL EXTENT OF THE RGN IRON ORE RESERVES -
WHICH, AS NOTED IN REF A, WILL BE KNOWN ONLY AFTER

AT LEAST ANOTHER FULL YEAR OF GEOLOGICAL SURVEY
WORK - THE UEKI/ROQUETTE REIS CONTROVERSY IS
IMPORTANT FROM SEVERAL PERSPECTIVES.

3. FIRST, IT HIGHLIGHTS THE CONTINUING BUREAUCRATIC
JOCKEYING BETWEEN THE TWO MEN: ONE (ROQUETTE REIS),
THE HEAD OF THE BRAZILIAN GOVERNMENT-CONTROLLED
AND WORLD'S LARGEST MINING COMPANY - CVRD, THE OTHER
(UEKI) NOMINALLY IN CHARGE OF OVERSEEING ALL BRAZIL'S
GOVERNMENT-SUPPORTED MINERALS EXPLORATION EFFORTS -
A SUBSTANTIAL PART OF WHICH IS CARRIED OUT BY CVRD'S
DOCEGEO. IN THIS CONTEXT, ROQUETTE REIS MIGHT
HAVE SENSED AN APPROPRIATE "TARGET OF OPPORTUNITY" IN
UEKI'S EARLIER RELEASE OF INFORMATION ON THE RGN
IRON ORE RESERVE, PARTICULARLY IN VIEW OF UEKI'S
CURRENT TRAVAILS OVER PETROLEUM (REF. B) (FYI. IN
THIS INSTANCE, UEKI WAS RESTRAINED IN HIS COMMENTS ON
THE CURRAIS NOVOS/CAICO RESERVES, ALTHOUGH ACYR
AVILA DA LUZ, HEAD OF THE DEPARTAMENTO NACIONAL DA
PRODUCAO MINERAL (DNPM), WAS PUBLICLY QUOTED AS
ESTIMATING AN UPPER LIMIT OF AS MUCH AS 3 BILLION
TONS OF IRON ORE IN THE AREA).

4. SECOND, ROQUETTE REIS' REACTION PROBABLY IS A
GOOD INDICATION OF THE SENSITIVITY CVRD ATTACHES TO
ANY POSSIBLE ATTACK - EVEN IF ONLY IMPLIED - ON ITS
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GIANT CARAJAS PROJECT (REF A). THUS, IN VIEW OF
CARAJAS' UNCERTAIN FUTURE PROSPECTS, THE CVRD PRESIDENT
MAY HAVE FELT COMPELLED TO LAUNCH AN ATTACK OF
HIS OWN, BELITTLING THE IMPORTANCE OF THE CURRAIS
NOVOS/CAICO RESERVES.

5. THIRD, ROQUETTE REIS/UEKI CONTROVERSY AGAIN
HIGHLIGHTS THE CREDIBILITY PROBLEMS WHICH SEEM TO
PLAGUE THE MINISTRY OF MINES AND ENERGY, PARTICULARLY
MINISTER UEKI. SINCE HIS OVERLY OPTIMISTIC,
UNRESTRAINED REMARKS IMMEDIATELY FOLLOWING THE FIRST
CAMPOS BASIN (GAROUPA) OIL DISCOVERY, IN 1974, UEKI
HAS BEEN PLAGUED BY A CONTINUING INABILITY TO RESTRAIN
HIS PUBLIC STATEMENTS ON MINERALS DISCOVERIES IN
BRAZIL. AS A RESULT, HIS CREDIBILITY HAS SUFFERED,
PARTICULARLY WITHIN BRAZIL'S MULTINATIONAL (FOREIGN)
MINERALS COMMUNITY, AND PROBABLY WITHIN INFORMED
SECTORS OF THE BRAZILIAN PUBLIC - AND GOVERNMENT -
AS WELL. UEKI'S DILEMMA APPEARS TO BE THAT WHILE HE
BELIEVES IT IS VITAL TO ADOPT AN UPBEAT, POSITIVE
ATTITUDE TOWARDS BRAZIL'S MINERALS/ENERGY SECTOR, HE
HAS PROBLEMS FINE TUNING - OR SUFFICIENTLY HEDGING -

HIS PUBLIC STATEMENTS TO RETAIN THIS OPTIMISTIC FLAVOR
WHILE AT THE SAME TIME PRESERVING HIS LONG-TERM
CREDIBILITY.

6. AS REGARDS THE IMMEDIATE IMPLICATIONS OF THE
ROQUETTE REIS/UEKI DISPUTE, THE CONTROVERSY IS
LIKELY TO SUBSIDE QUICKLY, AS BOTH PARTIES - HAVING
MADE THEIR RESPECTIVE POINTS - APPEAR CONTENT TO
LET NORMAL GEOLOGICAL EVALUATION OF THE RESERVE
PROCEED. IN ANY CASE, THE ACTUAL EXTENT OF THE
CURRAIS NOVOS/CAICO RESERVES - AND THEIR COMMERCIAL
POTENTIAL - WILL NOT BE KNOWN FOR AT LEAST ANOTHER
YEAR. END COMMENT. END LIMITED OFFICIAL USE.

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7. EMBASSY CONCURS.
DEXTER

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NNN

Message Attributes

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Copy: SINGLE
Draft Date: 22 mar 1978
Decaption Date: 01 jan 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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Disposition Reason:
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Litigation History:
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